



Department of Justice

FOR IMMEDIATE RELEASE
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JUSTICE DEPARTMENT REQUIRES MID-AMERICA DAIRYMEN INC. TO SELL BORDEN/MEADOW GOLD DAIRIES IN ORDER FOR DEAL TO GO FORWARD

Revised Deal Ensures that School Milk Prices Remain Competitive; Dairies will be Sold in Texas, Louisiana, New Mexico

WASHINGTON, D.C. -- Mid-America Dairymen Inc.--the largest dairy cooperative in the United States--will be allowed to acquire Borden/Meadow Gold Dairies Holdings Inc. as long as Mid-America sells Borden dairies in Texas, Louisiana and New Mexico to another competitor, under a settlement filed today by the Department of Justice. A newly-formed firm, Milk Products LLC, will be allowed to buy the divested dairies under certain conditions set out in the proposed settlement.

The Department's Antitrust Division said that if Mid-America's acquisition of Borden had gone forward as originally proposed, it would have reduced competition for the sale of milk to public schools throughout eastern Texas and virtually all of Louisiana. A total of nine plants will be sold--five in Texas, three in Louisiana and one in New Mexico.

"Recently, we have rooted out and prosecuted many cases of criminal collusion in the sale of milk to schools, which resulted in higher prices for schools," said Joel I.

Klein, Assistant Attorney General in charge of the Department's Antitrust Division. "It is important that we act to prevent mergers or acquisitions that might have the same effect."

Schools that participate in the U.S. Department of Agriculture's national school lunch and breakfast programs are required to offer fluid milk with every meal. The schools usually seek bids from the dairy firms that operate delivery routes in their area on an annual basis. Throughout much of Texas and Louisiana, Southern Foods Group LP, in which Mid-America has a partial ownership interest, and Borden are the only two bidders for school milk contracts.

A complaint and proposed settlement were filed today in U.S. District Court in Dallas. The proposed settlement, if approved by the court, would settle the suit.

The transaction as originally proposed would have included the spin-off of Borden's Texas and Louisiana operations to Milk Products, which is expected to be based in Dallas, with Mid-America financing most of the purchase price.

The complaint alleges that the original remedy was inadequate because the loan would have left Mid-America with the ability to influence the operations of Milk Products. Combined with its partial ownership of Southern Foods, the loan would have given Mid-America the incentive and ability to limit competition between the two dairy firms.

The settlement will maintain competition by requiring Mid-America to divest the Borden dairy operations located in Texas, Louisiana, and New Mexico and by placing limits on the terms and duration of any loans to Milk Products.

The settlement also requires Mid-America to reduce any loans to zero by September 1, 1999, and places strict limits on Mid-America's access to information about Milk Products.

Mid-America, headquartered in Springfield, Missouri, has more than 18,000 dairy farmer members in 30 states. It also has partial ownership interests in a number of dairy firms, including 50 percent of Southern Foods Group LP, which has extensive dairy processing operations in Texas and Louisiana.

Borden/Meadow Gold, headquartered in Ogden, Utah, has 25 dairy processing plants in the western half of the U.S., including eight located in Texas and Louisiana.

Southern Foods Group LP is headquartered in Dallas.

As required by the Tunney Act, the proposed consent decree will be published in the Federal Register. Any person may submit written comments concerning the proposed decree during a 60-day comment period to Roger W. Fones, Chief, Transportation, Energy and Agriculture Section, Antitrust Division, U.S. Department of Justice, 325 7th Street, N.W., Suite 500, Washington, D.C. 20530 (202/307-6351).

At the conclusion of the 60-day comment period, the U.S. District Court in Dallas may enter the consent decree upon a finding that it serves the public interest.

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